

AUTUMN STATEMENT CHECKLIST

5th Dec. 2012



This checklist is intended to help clients keep track of the important measures and numbers announced during the Chancellor's Autumn Statement at 12.30pm and to provide some instant context.

POSSIBLE NEW MEASURES

<u>Tax cuts:</u>	<u>Possible Cost</u>	<u>Tax rises:</u>	<u>Possible Yield</u>
Jan. 2013 3p fuel duty rise – scrap – postpone until April	£1.3bn £0.3bn	Tax avoidance measures	£2.0bn
Broaden capital allowance relief for SMEs	£1.0bn	Increase stamp duty on £1-2m houses by 1%	£70m
Freeze business rates in April 2013	£0.7bn	Increase main Capital Gains Tax by 1%	£70m
Nat. Ins. holiday for new 16-24 year old workers	?	1% extra rise in alcohol duty (0.4p on a pint of beer or 1.8p on a bottle of wine)	£60m
		1% extra rise in cigarette duty (4.1p / packet)	£30m
		Raise Bank Levy to maintain revenues	-
<u>Spending rises:</u>		<u>Spending cuts:</u>	
Increase public sector infrastructure spending	£5.0bn	Restrict child tax credit to only two children	£3.5bn
More support for house building	£0.2bn	Further 2% cut in departmental spending	£2.5bn
		PFI contract savings	£2.5bn
		Freeze welfare benefits in cash terms for 2yrs	£2.2bn
		End housing benefit for under 25s	£2.0bn
		Cut pension tax allowance from £50k to £40k	£0.6bn

MAIN PRE-ANNOUNCED MEASURES DUE TO COME INTO EFFECT IN 2013 (+ Yield /- Cost in 2013-14)

£1,100 increase in personal allowance (Apr.)	-£3.2bn	Increase in Bank Levy (Jan.)	£0.4bn
Loss of child benefit for high earners (Jan.)	£1.5bn	Freeze of age-related allowances (Apr.)	£0.4bn
3p increase in fuel duty (Jan.)	£1.3bn	Freeze of basic rate limit (Apr.)	£0.3bn
Rise in public sector pension contrib. (Apr.)	£1.0bn	Cap on household benefit payments (Apr.)	£0.3bn
1.6p indexation-related rise in fuel duty (Apr.)	£0.7bn	Restriction of Disability Living Allowance (Apr.)	£0.2bn
Corporation tax cut from 24% to 23% (Apr.)	-£0.7bn	Indexation plus 2% rise in alcohol duties (Apr.)	£0.3bn
Introduction of a carbon tax floor (Apr.)	£0.6bn	Indexation plus 2% rise in tobacco duties (Apr.)	£0.1bn
10% cut in council tax benefit expenditure (Apr.)	£0.5bn	Cut additional IT rate from 50p to 45p (Apr.)	-£0.1bn

ECONOMIC & FISCAL FORECASTS

								<u>Comments</u>
GDP Growth (%)	2012	2013	2014	2015	2016	2017		
<u>Autumn Statement</u>								Once again, the Office for Budget Responsibility will lower its forecasts for GDP growth this year and next.
Expected	-0.2	1.3	2.7	3.0	3.0			
OBR March Forecast	0.8	2.0	2.7	3.0	3.0	-		
Bank of England (Nov.)	0.0	1.2	2.0	2.1	-	-		
Consensus Forecast	-0.1	1.1	1.6	-	-	-		
Capital Economics	-0.5	0.5	1.5	3.0*	3.0*	-		
* Working assumptions								
PSNB (£bn)	12/13	13/14	14/15	15/16	16/17	17/18		
<u>Autumn Statement</u>								The borrowing forecast for this year will be revised up due to weaker than expected tax receipts. And lower forecasts for GDP growth will push borrowing up in future years.
Expected	125	100	77	57	26	5		
OBR March Forecast	120	98	75	52	21	-		However, flows of interest payments back from the APF will serve to reduce borrowing. So overall, the upward revisions to the borrowing forecasts may be fairly small.
Consensus Forecast	133	114	-	-	-	-		
Capital Economics [^]	130	115	110	100	75	-		
[^] Assuming no policy changes								
Cyc.-adj. PSNB (% of GDP)	12/13	13/14	14/15	15/16	16/17	17/18		
<u>Autumn Statement</u>								The OBR is set to judge that potential GDP is lower than it thought before. So the cyclically-adjusted deficit forecasts are likely to rise.
OBR March Forecast	4.0	4.1	2.9	1.9	0.7	-		
Cyc.-adj. Cur. Budget Surplus (% of GDP)	12/13	13/14	14/15	15/16	16/17	17/18		
<u>Autumn Statement</u>								The fiscal mandate is to eliminate the cyclically-adjusted current deficit over a rolling 5-year period. Mr Osborne now has until 2017/18 to meet this goal, but he may still need to enact more austerity to meet it.
OBR March Forecast	-4.2	-2.7	-1.5	-0.7	0.5	-		
Net debt (% GDP)	12/13	13/14	14/15	15/16	16/17	17/18		
<u>Autumn Statement</u>								The supplementary fiscal target is for debt as a % of GDP to be falling in 2015-16. The OBR may judge that this target is unlikely to be met. Rather than scrap the target, the Chancellor may simply accept that the chances of meeting it are below 50/50.
OBR March Forecast	71.9	75.0	76.3	76.0	74.3	-		
Capital Economics	74.4	78.4	83.2	86.1	86.6	-		